

Message Text

CONFIDENTIAL

PAGE 01 SAIGON 07113 241358 Z

45

ACTION EA-14

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 SS-15 NSC-10 STR-08 L-03 DODE-00

CEA-02 SSO-00 NSCE-00 USIE-00 PA-03 PRS-01 SEC-03

INRE-00 RSR-01 /134 W
----- 018254

R 241045 Z APR 73
FM AMEMBASSY SAIGON
TO SECSTATE WASHDC 0663

C O N F I D E N T I A L SAIGON 7113

E. O. 11652: GDS
TAGS: EFIN, VS
SUBJECT: TIN NGHIA BANK CLOSING

REF: SAIGON 6944

1. SUMMARY. CLOSING OF TIN NGHIA BANK APPEARS TO HAVE BEEN WELL MANAGED. BUSINESS AT BANKS ON MONDAY AND TUESDAY MORNINGS REPORTED TO BE MORE OR LESS NORMAL. THIS CREDITED TO WIDESPREAD PUBLICITY OVER WEEKEND THAT DEPOSITORS WOULD BE REPAID. SMALLER VIETNAMESE BANKS ARE CONCERNED OVER IMPACT. DOI HAS BEEN LOCATED AND IS BEING DETAINED. END SUMMARY.

2. LOCAL BANKERS IMPRESSED BY MANNER IN WHICH TIN NGHIA AFFAIR HANDLED THUS FAR. ACTION WAS KEPT VERY CLOSELY SO THAT NO RUMORS WERE FLOATING AROUND THAT COULD CAUSE RUN ON TIN NGHIA OR OTHER BANKS. ANNOUNCEMENT WAS MADE LATE SATURDAY MORNING JUST PRIOR TO CLOSING OF BANKS FOR WEEKEND AND FOLLOWED BY CONSIDERABLE PUBLICITY WHICH EMPHASIZED THAT DEPOSITS WILL BE REFUNDED. SOME STORIES MENTION THAT ONLY LEGAL DEPOSITS WILL BE REFUNDED, BUT NOBODY KNOWS HOW LEGAL AND ILLEGAL DEPOSITS WILL BE DIFFERENTIATED. IN ANY CASE, PUBLICITY APPARENTLY SERVED TO CALM PUBLIC

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SAIGON 07113 241358 Z

FEARS AS NO UNUSUAL ACTIVITY WAEHBDRKXUXK
PUN SAIGON ON MONDAY
OR TUESDAY MORNING . CAN THO REPORTS CALM REACTION THERE WITH
NO SIGNS OF LOSS OF CONFIDENCE IN BANKING SYSTEM. NATIONAL BANK
ALSO INFORMED TIN NGHIA'S FOREIGN CORRESPONDENTS THAT BANK'S
INTERNATIONAL OBLIGATIONS WOULD BE HONORED.

3. THERE IS CONCERN AMONG BANKING COMMUNITY AT POSSIBLE
RAMIFICATIONS OF THE TIN NGHIA AFFAIR. BANKERS EXPECT TO LOSE
SOME DEPOSITS ESPECIALLY FROM INDIVIDUALS. THEY ALSO EXPECT
SMALLER VIETNAMESE BANKS WILL LOSE DEPOSITS TO FOREIGN BANKS
WHICH VIETNAMESE REGARD AS SAFER. A SHORT- TERM LIQUIDITY
SQUEEZE IS FEARED UNTIL TIN NGHIA DEPOSITS BECOME AVAILABLE.
CHECKS DRAWN ON TIN NGHIA NOW HAVE TO BE HELD FOR COLLECTION
AND THIS APPEARS TO BE AFFECTING SOME BUSINESSES AND SMALLER
BANKS. SMALLER VIETNAMESE BANKS ALSO CONCERNED BECAUSE THEY
HAVE PROBABLY ENGAGED IN ACTIVITIES SIMILAR TO TIN NGHIA'S.

4. FUTURE OF TIN NGHIA NOT YET CLEAR. FOR INSTANCE, NO
DECISION YET MADE ON HOW TO HANDLE REIMBURSEMENT OF DEPOSITORS,
ESPECIALLY THOSE HOLDING TIME DEPOSITS. IT IS HOPED THAT THESE
FUNDS WILL REMAIN IN BANKING SYSTEM. LOAN PORTFOLIO WILL
PROBABLY BE MANAGED BY NATIONAL BANK. LIQUIDATION MAY TAKE
SOME TIME.

5. TIN NGHIA WAS VERY AGGRESSIVE IN ESTABLISHING BRANCHES AND
IN SOLICITING DEPOSITS, PAYING HIGHER INTEREST RATES THAN MOST
OTHER BANKS. THIS LATTER ACTIVITY WORRIED MANY BANKERS, INCLUD-
ING THE NATIONAL BANK AND OURSELVES. IT WAS SUSPECTED THAT TIN
NGHIA WAS ABLE TO SURVIVE ONLY BY INCREASING ITS DEPOSITS. IT WAS
ALSO WIDELY BELIEVED THAT DOI WAS USING TIN NGHIA'S DEPOSITS TO
FINANCE HIS OWN BUSINESS VENTURES, SOME OF WHICH WERE NOT
THOUGHT TO BE SUCCESSFUL. EXPOSURE OF THESE ACTIVITIES DID NOT
SURPRISE BUSINESS COMMUNITY, BUT ACTION OF NATIONAL BANK AND
GVN HAS CREATED A SHOCK, IN PART BECAUSE NO BANK HAS BEEN
CLOSED IN RECENT HISTORY. TIN NGHIA WAS ON THE VERGE OF COLLAPSE
IN THE LATE SIXTIES WHEN DOI WAS A MINORITY SHAREHOLDER. DOI
USED HIS OWN MONEY TO SAVE BANK AT THIS TIME AND BECAME MAJOR-
856 #43#9)\$34, GRADUALLY ASSUMING A GREATER ROLE IN MANAGE-
MENT OF THE BANK. HE WAS ABLE TO FALSIFY LOAN DOCUMENTS TO DIVERT
FUNDS TO HIS OWN ENTERPRISES, AND PROBABLY HIS PERSONAL USES.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SAIGON 07113 241358 Z

THE AMOUNT OF FUNDS THUS DIVERTED IS NOT YET KNOWN SINCE THE
NBVN AUDIT OF TIN NGHIA'S LOAN PORTFOLIO IS NOT YET COMPLETE.
THUS FAR VN\$1.5 BILLION OF FALSIFIED LOAN DOCUMENTS HAVE BEEN
DISCOVERED AND THIS MAY REACH VN\$3 BILLION. TOTAL LOANS ARE
REPORTEDLY VN\$10 BILLION WITH THE BALANCE OF TIN NGHIA'S ASSETS
IN, MOSTLY, TREASURY BILLS, DEPOSITS AT THE NATIONAL BANK AND
CASH.

6. NGUYEN TAN DOI WAS BORN IN AN GIANG IN 1926, OF A POOR FAMILY. HE MADE HIS FORTUNE WITH A BRICK FACTORY AND HAS HAD SEVERAL BRUSHES WITH THE LAW, BUT ONLY ONE CONVICTION WHICH WAS OVERTURNED. DOI ENTERED POLITICS IN 1970 AS MEMBER OF THE UNSECCESFUL SENATORIAL ELECTION LIST OF FORMER VICE MINISTER OF FINANCE NGUYEN ANH TUAN. (NGUYEN BA NHAN, WHO NOW FIGURES IN THE TIN NGHIA BANK CASE, AND WAS THEN CHIEF OF THE GVN' S CENTRAL SUPPLY AGENCY, WAS RULED INELIGIBLE TO RUN ON THE LIST BY THE GVN.) IN 1972, DOI SUCCESSFULLY CONTESTED A LOWER HOUSE SEAT FROM KIEN GIANG. HE DESCRIBES HIMSELF AS A POLITICAL INDEPENDENT, AL
E E E E E E E

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 24 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SAIGON07113
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: CORE6
Film Number: n/a
From: SAIGON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730450/aaaaiweg.tel
Line Count: 126
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 SAIGON 6944
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 06 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Dec-2001 by thigpegh>; APPROVED <28-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980130
Subject: TIN NGHIA BANK CLOSING
TAGS: EFIN, VS
To: EA
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005